

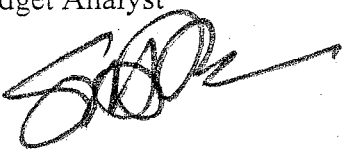
City of San Diego

**COUNCIL PRESIDENT SCOTT PETERS
DISTRICT ONE**

M E M O R A N D U M

DATE: May 10, 2006

TO: Toni Atkins, Budget Committee Chair
Andrea Tevlin, Independent Budget Analyst

FROM: Council President Scott Peters 

SUBJECT: FY 2007 Budget

In anticipation of the first Budget Committee hearing on January 18, 2006, I submitted a list of priorities reflecting my vision for Council District One and the City of San Diego for FY 2007. These include protecting our families and children, improving our parks and beaches, enhancing our neighborhoods, funding infrastructure, serving our older communities, and ensuring that our City Council is responsive to taxpayers.

This Mayor and City Council share many of my goals and we have worked well together in a short time to take move our priorities forward. With upcoming council budget deliberations and the Independent Budget Analyst's ("IBA") final report due shortly, I am submitting the following recommendations and items of concern for the Council's consideration.

True Overtime, Supplemental Employees and Non-Budgeted Position Costs

- 1) The budget must reflect rises in gasoline prices and the effect that it may have on city services.
- 2) Ethics Commission. I support the Executive Director's request for funding two additional positions.
- 3) Planning. I request that this department be given additional staff positions to address their staffing deficit. In particular, one additional staff member should be dedicated to historical reviews. I would also consider supporting a cost recovery fee for Mills Act historical review.

Leases and Real Estate Holdings

The City must compile a comprehensive list of our real estate assets to give the Mayor and Council a chance to evaluate our options with City property.

Public Safety

While the Mayor has taken laudable steps to increase several aspects of funding for public safety departments, there are several outstanding issues. The Mayor's proposed budget provides increased funding for some of the equipment needs of the Fire and Police Departments. I request that each department present a detailed report of its remaining equipment needs so that our public safety departments meet national standards.

- 1) Police. Due to retention problems, in FY07, it is expected that the number of officers leaving this department will exceed the number of police academy graduates. The number of officers expected to leave exceed the vacancy factor projected in the Mayor's Budget. Due to budget cuts in prior years, many of our officers have been forced to handle administrative tasks, resulting in fewer officers on the street. I support the IBA's suggestion to include 30 civilian positions in this year's budget so that more officers can be back out on patrol.
- 2) Police. Funding for the new Northwestern Police Substation (due to open Fall 2006) was not identified in the FY 2007 budget. However, I recently received memoranda from Chief Financial Officer Jay Goldstone detailing the plans to staff this station. I appreciate the support of the Mayor and my colleagues in providing adequate public safety in the rapidly growing Council District One.
- 3) Police. The grace period provided in the City's red light camera program has hindered the goals of this program, which were to decrease accidents at congested intersections and to save police officers from having to spend time patrolling these intersections. Statistics show that this program has not reduced the amount of accidents in our City and has become a drain on the general fund. I have over 15 intersections in District One waiting for funding so that cameras can be installed. I request that the City reduce or eliminate the grace period for public safety reasons and allow the program to become financially self-sufficient.
- 4) Fire-Rescue. While the Assistant San Diego Fire-Rescue Chief has indicated that she is satisfied with the budget, I am concerned to hear that the vacancy factor prediction will result in this department getting \$3 million less for personnel expenses than FY 2006, continuing the pattern of under-budgeting the Fire Department. Considering this department has a very low turnover ratio, I request an explanation on the accuracy of the vacancy assumption.
- 5) Fire-Rescue. The Fire Department has a vehicle replacement program that is scheduled to fund three fire trucks this year. I request this program be funded and a detailed accounting of the funds be provided to the City Council.
- 6) Fire-Rescue. I request that funding for the three La Jolla lifeguard station projects that are currently in various stages of community review and design be included in the next Public Safety Bond offering, along with a number of fire stations requiring upgrades throughout the

city. I do not suggest that the bond proceeds be included in this year's revenues. I also request a copy of the items to be included in the next Public Safety Bond.

- 7) Fire-Rescue. I request that a study comparing the department's current constant staffing policy versus the costs of using the "rover" system be done in FY07.

Public Infrastructure

I support the Mayor's ten-year plan to fund deferred maintenance in the City, which the IBA has calculated to be at least \$370 million.

- 1) Park and Recreation. In FY 2006, two City swimming pools in Council District One (Swanson/UC and Carmel Valley) were forced to close for three months. It is my understanding that some pools in other parts of the City remained open over the entire year. I ask that one or both the pools in my district be given the revenues to stay open in FY 2007.
- 2) Park and Recreation. Shell Beach staircase located in La Jolla has been closed for several months, prohibiting public access to the beach. The project is estimated to cost \$100,000 for all required repairs to reopen this stairway. I am requesting this amount from the Mission Bay Coastal Infrastructure funds to make the necessary repairs.
- 3) Park and Recreation/Water Department. City of San Diego is a member of the San Dieguito River Valley Regional Open Space Park Joint Powers Authority, with significant property holdings in the Water Department. For the past four years, the City's member contributions have not increased due to our inability issue municipal bonds. My fellow board members and I agreed that we should locate funds to increase all member agency contributions; the City of San Diego's contribution would increase from \$206,703 to \$267,369, approximately a sixty thousand dollar increase. See attached memo.

Additional State Revenues

The Mayor and his administration have taken steps to meet with various officials from federal, state, and local legislature and should be commended for their efforts to bring fiscal respectability back to our City. I understand that several changes have occurred within the government affairs department. I request that the Council receive regular updates on intergovernmental relations and legislation.

Proposition 42, the Transportation Congestion Improvement Act, was overwhelmingly approved by the voters of California in March 2002. It requires gas tax revenues to be allocated to local governments to be used for street infrastructure improvements. I request a list of City projects expected to receive funding in FY07.

City Employee/Retiree Health Insurance

Under Governmental Standards Board 45, the City will be required to move toward amortized scheduled payments to our Post Employment Benefit cost liabilities. The Mayor has taken the initiative to included \$5 million in the FY 2007 budget and the Council commissioned an actuary to determine our liabilities a year earlier than the required date of compliance for all municipalities. A detailed discussion and study of this issue is necessary at the budget committee in the near future. The

topics of this discussion and study should include the selection of the administrator of this fund (City or SDCERS); benchmarking the actuary's assumptions; consolidating health insurance plans for City employees/retirees and funding strategies for the required contributions in the future years.

Fees For City Services

Throughout the Council's continuous discussion of this year's budget, it is apparent that the City's revenues cannot support the services, including recreation, parking, trash, real estate and other services provided by the City, that are expected from taxpayers. I request that a comprehensive discussion take place at the Budget Committee regarding revenues and fees structure of many City services.

Throughout the City's Business Process Re-engineering process in the next fiscal year, it is essential that the City's fee structure be examined. But before this occurs, support and funding for new City facilities must receive the same priority as all other facilities in the City. The Mayor has included funding for the new Nobel Library in University City. I request the Chief Deputy Rick Reynolds update the Council in the near future on the progress of City's restructuring process.

Employee Retirement Fund Actuarial Required Contribution

The Mayor is working on forecasting a future budget for the City while SDCERS' actuary Cheiron, Inc., is working to revise the system's actuarial method and have provided a rough estimate on the City's actuarial required contribution payments for the future. The following issues below must be still addressed:

- 1) My April 24, 2006 memorandum to the Mayor and the Chief Financial Officer outlined the issue of financial impacts of pension litigations due to the actions of the City Attorney. It is essential that the Council understand the total costs of the City and SDCERS as a result of these pension litigation versus the retirement benefits increased due to Council's vote after the Corbett settlement. See attached memoranda.
- 2) As stated in the IBA report, the Gleason settlement requires the payment of the City's "Contribution Amount" by July 3, 2006 for FY 2007, in order to secure the return of the City's collateral. The Mayor's proposal with the pension obligation bonds shows the City only paying its normal costs until the bonds are issued. I request a written response from the City Attorney's Office and SDCERS' fiduciary and tax counsel on the Mayor's proposal.
- 3) Aside from the \$7.5 million of employee contributions that the Mayor plans to securitize in FY 2006, what other revenue sources is the Mayor looking to leverage in his pension obligation plan?
- 4) After SDCERS' actuary revises the assumptions, liabilities and assets of the system, I request that the Council be presented with future actuarial required contribution amounts with and without the Mayor's planned pension obligation bonds.

Clean Water Funding

Since 2000, the City has made dramatic improvements in decreasing the number of sewer spills, and cleaning, replacing and monitoring our pipes. In order for the City to continue this progress, it is of utmost importance that we obtain our past audits and get access to the public bond markets.

- 1) The budget should clearly provide and identify the costs associated with regulatory compliance, storm drain maintenance, the Point Loma outfall and improved sewer and water infrastructure.
- 2) Metro Wastewater. The City is in the process of fixing the storm water flow from Torrey Glen Creek and Watson Ranch Road into McGonigle Canyon. The City is looking to turn over the canyon maintenance responsibilities to the Torrey Glen Home Owners Association after vacating the easement of the waterway crossing. According to Metro Wastewater Department staff, we are currently in the permitting stages. An estimate of this project is \$151,500. I request that this amount to be identified in the City's Capital Improvement Project budget so that the City can proceed with handing off the maintenance responsibility of the canyon.
- 3) General Services/Metro Wastewater. The Mayor's proposal includes \$5 million for storm drain maintenance. Currently, the City's storm drain fees cannot support the funds necessary to make necessary repairs and meet environmental regulations in the near future. I request that the Storm Drain Working Group schedule a discussion at the Budget Committee on the possibility of increasing storm drain fees in our City.

Managed Competition

- 1) Environmental Services. I request that Environmental Services maintain its Community Clean Up Day assistance, Mayor and Council office landfill pass program, Environmental Youth Forum and any other programs that assist community members. The concern is that in an effort to prepare for managed competition this department might begin to cut programs that are deemed "non essential." The preferable way to even the playing field would be for private bidders to be required to maintain the community service program.
- 2) Other Departments. The same issue of departments cutting "non essential" services in order to prepare for managed competition must be closely monitored. Instead of cutting these important services to the community, any bidders must be required to provide the same services.

Additional Questions

Office of The City Attorney. Our preliminary review indicates that non-pension related outside legal bills have increased from \$4.2 million in FY 2004 to \$14.35 million in FY 2005 and that \$5.07 million thus far in FY 2006 with substantial pending invoices yet to be recorded. As part of our review of our budget for legal services, we need to understand how much work the City Attorney will contract out in FY 2007.

SHP:wjs

CC: Honorable Mayor and City Councilmembers
Jay Goldstone, Chief Financial Officer
Ronnie Froman, Chief Operating Officer